

**SEC56**

**From:** Wojtas, Nancy <nwojtas@cooley.com>  
**Sent:** Wednesday, June 14, 2017 11:15 PM  
**To:** Peter Heinke <peter@kik.com>  
**Subject:** Draft email  
**Attach:** Draft email.docx

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Peter,

**Here is the draft (copied below and on the attached Word document):**

At the last Board meeting, before Fred and Jim had to drop off the call, the proposed course of action suggested, to ensure minimum risk to the Company and the Board (in recognition of the frothiness of the cryptocurrency markets generally at this time), was to conduct a \$100MM pre-sale and eliminate the “public” token distribution event (TDE). The conversion of the SAFT rights into Kin would occur at the time the Kin ecosystem was fully functional versus at the time there was a minimal viable product.

During the remainder of the Board call (after Fred and Jim’s departure), the discussion centered on an option whereby the Company would conduct a \$75MM pre-sale, and a \$25MM public TDE at the time the Kin ecosystem was fully functional (which would be beyond the anticipated summer 2017 event).

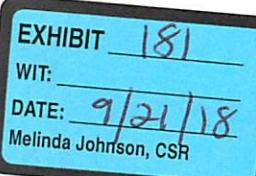
After the Board meeting, management had an opportunity to consider 2 things—whether a TDE at \$25MM (total raise of \$100MM including the pre-sales) would maintain the integrity of the discounts communicated to pre-sale investors and whether investors contacted already for the pre-sale would view negatively a delay in the TDE to allow the Company to develop a fully functional Kin ecosystem.

We believe there is an inherent risk in capping the total sale at \$100MM given the contemplated discount structure. Given the four discount tranches are relative to the highest price paid for the token, if the sale is capped at \$100M, the highest price paid would itself be subject to a 10% discount. To maintain the integrity of the discounts communicated to pre-sale investors, there must be a tranche sold at a 0% discount.

If the \$25MM tranche is held at a 0% discount, we run the risk of minimal allocation to the public TDE participants, subsequently impacting the depth and liquidity in the secondary market as well as . Given these constraints we recommend maintaining the discount structure while increasing the total raise amount to \$125MM with the final \$25M subject to no discount. This leaves approximate 2/3 of the allocation to the pre-sale participants and 1/3 to the public sale participants.

Below are the scenarios to help visualize the proration between pre-sale and public TDE investor allocation:

Scenario	Discount Structure	Token Allocation
<u>Total: \$100MM</u>	35%: \$0-25MM	Pre-sale: 78.77%
<u>Pre-sale: \$75M</u>	25%: \$25-50MM	Public Sale: 21.23%
<u>Public sale: \$25</u>	20%: \$50-75MM	
	10%: \$75-100MM	
<u>Total: \$100MM</u>	35%: \$0-25MM	Pre-sale: 80.48%
<u>Pre-sale: \$75MM</u>	25%: \$25-50MM	Public Sale: 19.52%
<u>Public sale: \$25MM</u>	20%: \$50-75MM	
	0%: \$75-100MM	
<u>Total: \$125MM</u>	35%: \$0-25MM	Pre-sale: 66.13%
<u>Pre-sale: \$75MM</u>	25%: \$25-50MM	Public Sale: 33.87%
<u>Public sale: \$50MM</u>	20%: \$50-75MM	
	10%: \$75-100MM	
	0%: \$100-125MM	



We reached out to the lead investor on the pre-sale and talked about extending the time before the Company would conduct the TDE and offered the reason why and much to our surprise, the proposed delay was viewed adversely and would impact the lead investor's decision to participate in the pre-sale.

The question for the Board is whether it would like to have another meeting to discuss these matters or whether circulating resolutions via DocuSign to approve management's recommendation which is to do a \$75MM pre-sale, maintain the current schedule (perhaps incorporating a [30-45 day delay] for the TDE and increase the total raise to \$125MM.

Please let me know your preference as soon as possible.

NHW

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